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TRANSPORTATION GROUP

OFFICE OF REPORTS AND ESTIMATES

CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

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OFFICE OF REPORTS AND ESTIMATES

TRANSPORTATION GROUP

12 July 1949

Weekly Intelligence Summary No. 70

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

British and French desires to delay the rehabilitation of Germany's ocean-going merchant marine and its introduction into an already highly competitive European shipping industry may be reflected in their recent working party disagreement with the US over tonnage requirements for the German coastal fleet. (Item No. 1, C)

Significant action to facilitate European road transport has been taken by six Western European nations. (Item No. 2, C)

The US and UK have expressed complete reserve on a resolution dealing with the complex problem of restitution and redistribution of European railway rolling stock which was passed by the recently concluded Fourth Session of the Inland Transport Committee of ECE. (Item No. 3, C)

British and French willingness to export certain types of aviation equipment to Yugoslavia indicates the growing reluctance of Western European governments to support strictly the present US policy of complete prohibition on the sale of such material to the Satellite countries. (Item No. 4, A)

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## SECTION II. CURRENT DEVELOPMENTS

### SURFACE TRANSPORTATION

1. British and French desires to delay the rehabilitation of Germany's ocean-going merchant marine and its introduction into an already highly competitive European shipping industry may be reflected in their recent working party disagreement with the US over tonnage requirements for the German coastal fleet. The UK and France proposed that Germany be required to increase its present coastal fleet by domestic construction of over 75,000 tons of shipping, in order to accommodate the volume of traffic estimated to be necessary for European and German recovery under the ERP. Permission to construct ocean-going vessels, moreover, would not be granted until the stipulated tonnage of coastal vessels had been completed. The US representative, on the other hand, pointed out that Germany's present coastal fleet is not even fully employed and that its capacity is already greater than the increased annual volume of coastal traffic anticipated for the duration of the Marshall Plan. The imposition of a requirement for additional coastal tonnage would, therefore, be uneconomic and antithetical to European and German recovery programs. 25X1

2. Significant action to facilitate European road transport has been taken by six Western European nations. Simplification and unification of customs procedures will result from the signature by the United Kingdom, France, Switzerland, Netherlands, Belgium and Luxembourg of three customs agreements dealing with touring, commercial road vehicles and international transport of goods by road. (The UK was not a party to the last-named agreement.) The agreements will become effective on 1 January 1950 for a three-year period, and thereafter by tacit annual renewal. In the event that customs conventions of a wider geographical application are concluded, the contracting governments to the present agreements will take steps to terminate them. 25X1

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3. The recently concluded Fourth Session of the Inland Transport Committee (ITC) of ECE passed a resolution dealing with the complex problem of restitution and redistribution of European railway rolling stock. The US and UK, both of whom expressed complete reserve on this resolution, took the position, however, that the problem of restitution of rolling stock must be separated from that of its redistribution, since the latter is concerned with reparations and is therefore beyond the competence of ITC. The ITC resolution recommended that: (a) displaced rolling stock whose ownership is not in dispute be immediately repatriated, subject only to urgent operating requirements; (b) certain technical factors be taken into consideration in determining the number of freight cars to be repatriated from countries which are now operating part of the prewar German railroad system or in which displaced German rolling stock cannot be clearly identified; and (c) the question of ownership of German rolling stock which is claimed by various countries as reparations be settled by "competent bodies."

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CIVIL AVIATION

4. British and French willingness to export certain types of aviation equipment to Yugoslavia indicates the growing reluctance of Western European governments to support strictly the present US policy of complete prohibition on the sale of such material to the Satellite countries. Although the joint US-UK Satellite aviation policy specifically requires that the shipment of aircraft and related equipment to the Satellites be prevented, the present British decision is to make an exception in the case of Yugoslavia, at least to an extent that would permit the export to that country of small aircraft engines suitable for installation in civil trainer airplanes of Yugoslav design. (The British Ministry of Defense has stated that it has no objection to the transaction on security grounds.)

France has never accepted that aspect of the joint US-UK Satellite aviation policy calling for a complete prohibition on the sale of aviation equipment to the Satellites, and has reserved the right to export to the Curtain countries aircraft of 300 horsepower or less. [redacted] the Yugoslavs are actually negotiating with France [redacted] not only for an exchange of air rights, but also for quantities of aircraft, engines, spare parts, and airport equipment. Should the UK go through with its contemplated engine shipments to Yugoslavia, the French would be strongly influenced to grant the Yugoslav requests for aviation equipment.

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